



# The Northampton Retirement Board

## NEWSLETTER

J u l y 2 0 2 3 E d i t i o n

*Serving our members,  
retirees and survivors since  
1937*

### Included in this issue:

- **Additional COLA increase for 2022**
- **2023 COLA increase**
- **Military Service Buybacks**
- **Board Election Update**
- **2022 Investment report**

### Members of the Board

Joyce Karpinski  
Chairperson / Ex-Officio

Karen Lafleche  
Elected Member

Charlene Nardi  
Appointed Member

Thomas Sullivan  
Appointed Member

Tammy Suprenant  
Elected Member

David Shipka  
Administrator

Elsie Vazquez  
Associate Retirement Specialist

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## State law allows for an additional two percent on the FY23 retiree COLA increase

Qualifying retirees and survivors received a boost to their monthly allowance this past spring following an increase to last year's Cost of Living Adjustment. In response to substantial inflationary pressures, Chapter 269 of the Acts of 2022 allowed for a 5% retiree COLA retroactive to July 1, 2022, subject to local acceptance. The maximum COLA increase had been limited to 3% since 1992.

The Northampton Retirement Board voted to adopt the increase in February, followed by the Northampton City Council in early March. The increase boosted the previously enacted 3% COLA to 5%. The retroactive sum was included with the March retiree deposits.

State law limits each annual increase to a percentage of the local COLA base, which for Northampton amounts to the first \$13,000 of a qualifying retiree or survivor's annual retirement allowance. The additional 2% for July 1, 2022 provided up to \$260 annually over the original 3% increase for a maximum increase of \$650. Applied to the average Northampton retiree allowance of approximately \$26,300 annually, the COLA represented about a 2.5% gross increase.

The added cost of the increase was included in a revised funding schedule adopted by the Northampton Retirement Board earlier this year. In total, the additional 2% COLA added \$132,439 in municipal costs for fiscal year 2024.

## Retiree cost-of-living adjustment for July 1, 2023

This July, the maximum increase permitted under state law for the annual Cost of Living Adjustment returned to 3%. The Northampton Retirement Board voted to approve the full increase in May. On Northampton's \$13,000 retiree COLA base, the increase provides for a maximum of \$390 annually. This amounts to a gross increase of approximately 1.5% on the average retiree allowance.

The effective date of the increase was July 1<sup>st</sup>. Qualifying retirees are set to receive the increase with their July 31<sup>st</sup> payment. Massachusetts law does not allow retirees to receive a COLA increase until an entire 365 days has passed from the date of retirement. To be eligible for this year's increase you must have been receiving a retirement allowance on or before June 29, 2022.

## Employees:

### Let us know if you need to...

- Change your designated beneficiary or update your marital status.
- Update your contact info.
- Request to purchase qualifying prior municipal or military service.
- Receive information on your benefits or file for retirement.

## Retirees:

- Your 1099-R tax form will arrive by the end of January.
- You must keep track of post-retirement public sector earnings to ensure you remain within legal limits.
- Direct deposit is now mandatory for all retirees and survivors.
- Retirement deposits are scheduled for the last business day of each month.
- Your annual retiree affidavit will be included with your December paystub. State law requires that you return this form to us. If we do not receive your form, we will be required to suspend your retirement allowance.

### FY24 Pension Payment Schedule

Monday, July 31, 2023  
 Thursday, Aug. 31, 2023  
 Friday, Sep. 29, 2023  
 Tuesday, Oct. 31, 2023  
 Thursday, Nov. 30, 2023  
 Friday, Dec 29, 2023  
 Wednesday, Jan. 31, 2024  
 Thursday, Feb. 29, 2024  
 Friday, Mar. 29, 2024  
 Tuesday, Apr. 30, 2024  
 Friday, May 31, 2024  
 Friday, June 28, 2024

## Military Service Buybacks

State law allows members who are veterans to purchase a portion of their prior military service. Massachusetts General Laws, Chapter 4, Section 7, Clause 43 defines “veteran” to mean any person who served at least 180 days active duty in the Army, Navy, Marine Corps, Coast Guard or Air Force whose last discharge or release was under honorable conditions or any person who served at least 90 days of active duty including at least one-day wartime service. The definition specifically excludes active duty for training for the National Guard and Reserves from qualifying as active duty under this section.

Section 4(1)(h) of Massachusetts General Laws, Chapter 32 grants eligible veterans, who were honorably discharged or discharged under honorable conditions, the right to purchase up to four years to add to their creditable service as a member of a retirement system due to service in the armed forces of the United States.

The cost of purchasing prior military service is 10% of your salary when you last became a member of a retirement system, per year of service purchased. Currently, the Northampton Retirement Board allows payment over four years to complete a military service purchase via payroll deductions. State law does not allow for the charging of interest on such service purchases.

Chapter 32 further limits veteran service purchases to members applying within 180 days of receiving official notice of their rights under the law. The form *Notice of Potential Veterans’ Benefits* provides such notice. If you receive this notice, or believe you should have, contact the Retirement Office to discuss your options.

## Karen Lafleche wins reelection

First elected to the Northampton Retirement Board in January 2022 to fill a term left vacant when Michael Lyons retired, Karen Lafleche began a three-year term on July 1<sup>st</sup> after running unopposed for reelection. Karen retired in 2019 after more than 35 years of Northampton service. Congratulations!

### Northampton Retirement Board Overview

- **Joyce Karpinski**  
(Chairperson), Ex-Officio, City Auditor (2007-present)
  - **Karen Lafleche**  
Elected Member, Smith Vocational School Retiree (2022-present)
  - **Charlene Nardi**  
Mayoral Appointee, City Finance Director (2021-present)
  - **Thomas Sullivan**  
Appointed 5<sup>th</sup> Member, Financial Advisor (2008-present)
  - **Tammy Suprenant**  
Elected Member, Administrative Assistant to Police Chief and Captains (2020-present)
- Retirement Board Staff**
- **David Shipka** – Administrator
  - **Elsie Vazquez** – Associate Retirement Specialist

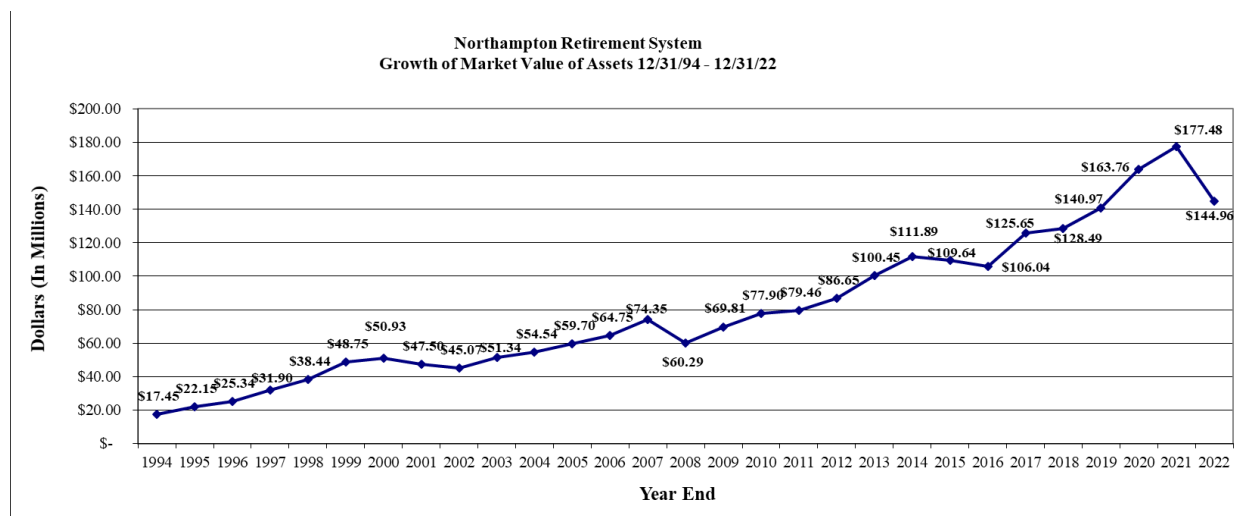
## INVESTMENT REPORT

*Prepared by our investment advisor, the de Burlo Group*

### The Northampton Retirement System's Performance

From a long-term perspective the Northampton Retirement System's portfolio has seen impressive growth (please see the graph below). As of December 31, 2022, the portfolio appreciated in value by a total of nearly 187% compared to its year-end value of \$60.29 million set on December of 2008. In addition to the increase in the market value of the portfolio, a net amount of \$28.01 million was disbursed from the portfolio over the past 14 years. Consequently, over the 14-year period, investment returns have added \$112.69 million to the portfolio despite the market collapse associated with the financial market crisis of 2008 and early 2009 and the pandemic-related market turmoil in 2020.

As the graph below shows, the System's assets declined to \$144.96 million at the end of December 2022, a decrease of \$32.52 million from the prior year end. Please keep in mind that there were also net distributions of \$3.16 million during 2022. Therefore, the portfolio depreciated by a total of \$29.36 million during 2022.



For the calendar year 2022, the Northampton System performance had negative returns, down 16.6%. In comparison, the Public Retirement Investment Trust (PRIT) was down 10.8%. Over the five years ending on December 31, 2022, Northampton's portfolio appreciated at an annual rate of 4.7% per year, compared to PRIT's 6.7% annual rate of return. Over the ten years ending on December 31, 2022, Northampton's portfolio appreciated in value by approximately 7.2% per year, compared to PRIT's 8.3% return over the same time period.

Northampton's good results over the long term demonstrate the System's sustainability. During the 38 years that PERAC has been tracking performance of Massachusetts municipal pension funds, Northampton's portfolio appreciated by an annual rate of 8.8%. Northampton's annual appropriation and its projected funding schedule are based upon an assumed rate of return of 6.90%. Northampton's actual, annualized rate of return of 8.8% over the past 38 years is well in excess of this assumed rate of 6.90%.

### The Northampton Retirement System Portfolio

The assets of the Northampton System remain well diversified as the table below shows. During the year our investment advisor decreased the stock allocation from 61.6% of the total portfolio to 47.1%, with an emphasis on domestic stocks. Our investment advisor increased the combined weighting of bonds and cash from 38.2% to 52.7% during the year.

	Allocation at 12/31/22	\$ Millions	% of Total
<b>Cash</b>	<b>Cash</b>	<b>8.2</b>	<b>5.7</b>
	Domestic Stock	63.6	43.9
	International Stock	4.6	3.2
	Real Estate	0.0	0.0
<b>Equity</b>	<b>Total Equity</b>	<b>68.2</b>	<b>47.1</b>
	Domestic Bonds	68.2	47.1
	International Bonds	0.0	0.0
	Below Invest. Grade	0.0	0.0
<b>Fixed Income</b>	<b>Total Fixed</b>	<b>68.2</b>	<b>47.1</b>
	Private Equity & Venture Capital	0.3	0.2
<b>PRIT Investments</b>	<b>Total PRIT Investments</b>	<b>0.3</b>	<b>0.2</b>
<b>Total</b>		<b>145.0</b>	<b>100.0</b>

### The Financial Markets and the Economy in 2022

2022 was a tumultuous year, from the Russian invasion of Ukraine, to supply chain disruptions, to stubbornly high inflation and labor shortages. As we have moved into 2023, we continue to feel the impact from high inflation and rising interest rates. Uncertainty continues to be a major theme, while tightening monetary policy and a potential recession threaten to be hallmarks of the new year.

Benchmarks*	Three Months Ended 12/31/22	Calendar Year Ended 12/31/22
Dow Industrials	15.39%	-8.78%
S&P 500	7.08%	-19.44%
Russell 2000	5.80%	-21.56%
NASDAQ Composite	-1.03%	-33.10%
MSCI Emerging Markets	9.20%	-22.37%
MSCI EAFE Index	17.00%	-16.79%
Crude Oil	0.97%	6.71%
Trade-weighted Dollar	-6.79%	6.23%
Gold	9.84%	-0.28%
2 Year Treasury	+15 basis points	+369 basis points
10 Year Treasury	+5 basis points	+237 basis points
Fed Funds Target Rate	+125 basis points	+425 basis points
* Please note the returns listed above refer to price changes only.		

### **Looking Forward**

The health of the economy and how quickly inflation falls will most likely dictate the speed and frequency of the Fed's future rate hikes. However, there are many variables that are beyond the Fed's control, such as geopolitical tensions and supply chain challenges. The Fed continues to attempt to tame inflation without tipping the economy into recession. Meanwhile, analysts have differing opinions on if a soft landing is even possible at this point. Only time will tell if the Fed's strategy in 2023 will be successful.